

Message Text

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PAGE 01 HAMBUR 01020 071713Z

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 STR-04 H-02 L-03 CIAE-00

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R 071549Z JUL 76

FM AMCONSUL HAMBURG

TO SECSTATE WASHDC 3861

INFO AMEMBASSY BONN

USMISSION US BERLIN

AMCONSUL BREMEN

AMCONSUL DUESSELDORF

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL STUTTGART

LIMITED OFFICIAL USE HAMBURG 1020

E.O.11652: N/A

TAGS: ECON ELAB ETRA GW

SUBJECT: VOLKSWAGEN PLANS TO LOCATE IN THE U.S.

REF: A. HAMBURG 0609; B. HAMBURG 0499.

1. BEGIN UNCLASSIFIED. POST WAS CALLED ON JULY 6 BY MR. DAVID BROWN IN THE OFFICE OF GOVERNOR SHAPP OF PENNSYLVANIA (TEL 717-787-5522) AND REQUESTED TO CONTACT VOLKSWAGEN TO LEARN WHAT, IF ANY, RESULTS CAME OUT OF A STOCKHOLDER MEETING BEING HELD THAT DAY IN WOLFSBURG. WE WERE UNABLE TO REACH OUR SOURCES AT VOLKSWAGEN UNTIL JULY 7 WHEN WE WERE INFORMED THAT THE MEETING HAD NOT DISCUSSED OR DECIDED ANYTHING WHICH WOULD INTEREST OR AFFECT PENNSYLVANIA OR ANY OTHER STATES SEEKING TO WIN VW'S PROJECTED U.S. MANUFACTURING FACILITY. NEWSPAPER ACCOUNTS SEEM TO CONFIRM THIS. WE WOULD APPRECIATE IT IF THE DEPARTMENT WOULD CONTACT MR. BROWN AND PASS THIS INFORMATION TO HIM. HOWEVER, IN VIEW OF INFORMATION OUTLINED BELOW, BROWN MAY WISH TO CONTACT HIS OWN VW SOURCES FOR CLARIFICATION. END

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PAGE 02 HAMBUR 01020 071713Z

UNCLASSIFIED.

2. BEGIN LOU. OUR SOURCE, DR GUENTER FLUES IN THE NORTH AMERICAN MARKETING SECTION AT VW, INDICATED THAT THERE MAY IN FACT BE PROBLEMS WITH THE PENNSYLVANIA DEAL. IN REFTEL B, WE REPORTED THAT VW CHIEF TONI SCHMUECKEZ HAD SAID THE FACTORY WOULD BE NEAR CLEVELAND, OHIO. PRESS REPORTS FROM GERMANY AND THE U.S. SINCE THEN GENERALLY INDICATED THAT PENNSYLVANIA, EVIDENTLY OFFERING A BETTER DEAL, WOULD GET THE PLANT. FLUES TOLD US THAT THE LOW INTEREST LOAN WHICH GOVERNOR SHAPP HAD PLANNED TO OFFER VW, APPARENTLY USING A STATE-RUN PENSION FUND AS A SOURCE, HAD BEEN RULED OUT FOR LEGAL REASONS AND THE WHOLE DEAL COULD FALL THROUGH WITH PENNSYLVANIA.

3. FLUES ALSO SAID THAT A RECENT PRESS RELEASE FROM VW OF AMERICA HAD SAID THAT THE PROJECTED SIGNING OF THE AGREEMENT WITH PENNSYLVANIA BY SCHMUECKER HAD BEEN DELAYED BECAUSE THE TIMING WAS NOT RIGHT. THIS ANNOUNCEMENT, COUPLED WITH THE FACT THAT VW HAS DISPATCHED SOMEONE TO OHIO TO KEEP THAT OPTION OPEN, MAY BE CAUSING SOME NERVOUSNESS IN GOVERNOR SHAPP'S OFFICE. WE HAVE SUSPECTED FOR SOME TIME THAT VW HAD BEEN SHIPSAWING THE STATES TO GET THE BEST DEAL AND IT MAY BE THAT THIS PROCESS IS NOT YET FINISHED.
END LOU. BROGAN

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